LEGISLATIVE
AUDIT
COMMISSION

Review of
Department of Transportation
Year Ended June 30, 2004

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REVIEW: 4225
ILLINOIS DEPARTMENT OF TRANSPORTATION
YEAR ENDED JUNE 30, 2004

FINDINGS/RECOMMENDATIONS - 13
NOT ACCEPTED - 1
ACCEPTED - 8
IMPLEMENTED - 4

REPEATED RECOMMENDATIONS - 4
PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 8

This review summarizes the audit of the Illinois Department of Transportation for the year ended June 30, 2004 filed with the Legislative Audit Commission March 10, 2005. The auditors performed a financial audit and compliance examination in accordance with State law and *Government Auditing Standards*. The auditors stated that the financial statements were fairly presented.

The Illinois Department of Transportation is responsible for administrating and supervising the State's transportation activities, including highways, public transportation, and aeronautics. The Department is accredited by the federal government for receiving federal funds for transportation programs; is responsible for drafting a State master plan for transportation facilities; and also provides State assistance to local public transportation agencies. The principal divisions of the Department are: the Division of Highways, the Division of Traffic Safety, the Division of Public Transportation, and the Division of Aeronautics.

Mr. Timothy W. Martin was the Secretary of the Department during the audit period. He had held that position since March 2003. The average number of full-time employees at June 30 in the years indicated appears below.

	FY04	FY03
Admin. & Planning	376	416
Information Processing	93	100
Division of Highways	525	571
Day Labor	23	27
District 1	1,423	1,506
District 2	485	505
District 3	448	462
District 4	391	408
District 5	433	452
District 6	468	478
District 7	311	324

	FY04	FY03
District 8	585	613
District 9	308	316
Aeronautics	74	79
Public Trans & Rail	21	25
Local Roads & Streets	98	111
Traffic Safety	116	128
Cycle Rider Safety	3	3
State Funded Positions	**6,181**	**6,524**
Federal Funded Positions	**91**	**96**
GRAND TOTAL	**6,272**	**6,620**

Expenditures From Appropriations

Appendix A presents a summary of appropriations and expenditures for FY04 and FY03. The General Assembly appropriated a total of $7,991,666,558 ($83,320,285 from the General Revenue Fund; $3,231,332,791 from the Road Fund; and $4,677,013,482 from 19 other funds) to the Department of Transportation during FY04. In FY03, total appropriations were $8,413,915,147. FY04 appropriations were $422,248,589, or 5% less than FY03.

Total expenditures were $4,036,617,670 in FY04 compared to $4,173,396,298 in FY03, a decrease of almost $136.8 million, or 3.3%. Expenditures from the General Revenue Fund decreased from $65 million in FY03 to $60.6 million in FY04. Road Fund expenditures decreased from $1,807.6 million in FY03 to $1,704.7 million in FY04. Expenditures from other funds decreased from $2,300.7 million in FY03 to $2,271.3 in FY04, 1.3%. In FY04 there was a marked decrease in overall spending due to budget constraints. Also, there was no large purchase of land as in FY03 with the purchase of land for the South Suburban airport. Appendix A also provides a summary of the Department's expenditures by division.

The large difference between appropriations and expenditures was attributed to construction funds being appropriated for the entire project in the first year of construction although, in many cases, it requires more than one year to complete the project. Unexpended funds necessary to complete the project are then appropriated in subsequent years.

Lapse period expenditures were $99,995,189, or 2.5% of total FY04 expenditures. The audit report stated that the Department expended $197.1 million on 507 Illinois First Projects in FY04. The Department expended $216.8 million on 439 Illinois First Projects in FY03.

Accounts Receivable

Appearing in Appendix B is a summary of the Department's accounts receivable. The Department's gross accounts receivable stood at $194,459,000 as of June 30, 2004 compared to $187,780,790 as of June 30, 2003. The majority of the Department's revenue collection responsibility in FY04 is current ($178,958,000) and due from the federal government ($116,234,000) for reimbursement for highway construction and the federal share of other programs. The $5.2 million in receivables over 30 days old is due primarily from various counties and municipalities.

Cash Receipts

Appendix C provides a summary of cash receipts for the Department for FY04 and FY03. Cash receipts increased $269.6 million, or 28.6%, from $944,183,973 in FY03 to $1,213,774,643 in FY04. Cash receipts in the Road Fund increased primarily due to the increase in advance construction billings. State construction was a new fund in FY04.

Property and Equipment

Appearing in Appendix D is a summary of property and equipment transactions of the Department of Transportation for FY04. The balance increased from $13,287,895,000 as of July 1, 2003 to $13,788,019,000 as of June 30, 2004.

Service Efforts and Accomplishments

Appearing in Appendix E is a list of several service efforts and accomplishments provided by the Department of Transportation.

Efficiency Initiative Payments

CMS billed the Department almost $20.4 million in efficiency initiative payments during FY04. All the payments were made from the Road Fund as follows:

- $17,061,200 for procurement efficiency initiatives,
- $2,089,516 for information technology initiatives, and
- $1,213,125 for vehicle fleet initiatives.

The various line item appropriations used to pay for these savings in the basis for the finding in Recommendation No. 1.

Accountants' Findings and Recommendations

Condensed below are the 13 findings and recommendations presented in the audit report. There were four repeated recommendations. The following recommendations are classified on the basis of updated information provided by Timothy W. Martin, Secretary, Department of Transportation, via electronic mail received on July 12, 2005.

Not Accepted

1. **Only make payments for efficiency initiative billings from line item appropriations where savings would be anticipated to occur. Further, seek an explanation from the Department of Central Management Services as to how savings levels were calculated, otherwise arrived at, and how savings achieved or anticipated impact the Department's budget.**

Findings: The Department made payments for efficiency initiative billings from improper line item appropriations. Public Act 93-0025, in part, outlines a program for efficiency initiatives to reorganize, restructure and re-engineer the business processes of the State. The State Finance Act details that the amount designated as savings from efficiency initiatives implemented by CMS shall be paid into the Efficiency Initiative

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Revolving Fund. During FY04, the Department received and paid three billings totaling

Not Accepted - concluded

$20,363,841 from MCS for savings from efficiency initiatives. According to CMS documentation, a fourth billing of $237,900 for facilities management consolidation is outstanding with the Department. The initiatives and amounts billed and paid were:

- Procurement Efficiency $17,061,200
- Information Technology 2,089,516
- Vehicle Fleet Management 1,213,125.

The Department did not receive guidance or documentation with the billings detailing from which line item appropriations savings were anticipated to occur. Department staff reported they received some data from consultants to account for the savings, but did not provide auditors any written documentation to evidence the savings. The Department paid all billings from Road Fund appropriations.

Based on their review, the auditors questioned whether the appropriate appropriations were used to pay for the anticipated savings. The Department made payments for the billings not from line item appropriations where the cost savings were anticipated to have occurred. Rather, the Department prorated the amounts among districts. For example, if an initiative would anticipate to save "commodities," all Districts appropriations for commodities would pay an amount based on the individual budgeted amount to the total Departmental budgeted amount. The Department used:

- $3,779,441 from the various Contractual Services line item appropriations to assist in paying for the Procurement and Information Technology Initiative billings,
- $155,200 from Travel line items appropriations to assist in paying for the Procurement Initiative billing,
- $776,600 from Commodities line item appropriations to assist in paying for the Procurement Initiative billing,
- $1,859,400 from Equipment line item appropriations to assist in paying for the Procurement and information Technology Initiative billings,
- $434,400 from EDP to assist in paying for the Information Technology Initiative billing,
- $629,700 from Telecommunications to assist in paying for the Procurement Initiative billing,
- $3,536,000 from Operation of Automotive Equipment to pay for the Vehicle Fleet management and assist in paying the Procurement Initiative billings,
- $500,000 from Permanent Improvements, Lump Sum and Other Purposes to assist in paying for the Procurement Initiative billing, and
- $8,693,500 from Transportation and Related Construction to assist in paying for the Procurement Initiative billing.

Response: The Department does not agree with the finding. The Department has, in fact, complied with the direction from the Department of Central Management Services (CMS) and with the State Finance Act.

The several efficiency initiative billings were invoiced to IDOT from CMS at the summary level, e.g. contractual services and operation of auto for all of IDOT's road appropriations. As noted in this finding, there were no detailed invoices per line item appropriation (examples are District 1 line item for contractual services or District 7 line item for operation of auto). Given that CMS had determined what the anticipated savings would be at the summary level, it was IDOT's task to assign the invoices to particular line items, and we prorated the CMS total invoice per object to each individual line item making up the total for each appropriation object. The criteria in choosing which line item to use is "…where the cost savings were anticipated to have occurred…" There was nothing in the nature of the savings that were anticipated to favor one appropriation over another beyond a simple proration. In other words, if an initiative would be anticipated to save a specified amount of commodities appropriations statewide, then all District appropriations would be anticipated to save their proportional shares.

Up until the time of the invoices, all of the discussions about efficiency savings involved only the Road Fund. The invoices included an amount for the GRF that exceeded the non-personal services operating appropriations for the Fund. Subsequent investigation determined that the GRF invoice was in error and was meant to be from the Road Fund

In summary, IDOT has complied with the direction from CMS and the State Finance Act. Transfers made by IDOT for the efficiency initiatives did not reduce the Department's ability to deliver its services.

Auditor Comment: In its response, the Department states that there "was nothing in the nature of the savings that were anticipated to favor one appropriation over another beyond a simple proration." Given that the department did not receive detailed information from CMS on the specific areas where savings were expected to occur, we question how the Department can have assurance that simply prorating the initiative payments among appropriation lines would result in the correct amount being paid from the proper appropriation. Without specific guidance from CMS regarding the nature and type of saving initiative projects, it is unclear whether the methodology of using lump sum appropriations appropriated the Highway Capital Improvements Division and the Construction and Land Acquisition Division, that were made for specific purposes by the General Assembly, were the funds that should be used for efficiency payments.

Furthermore, a review of the Department's payment methodology shows that not all divisions and appropriations participated in this "simple proration', as indicated in the department's response. Districts 8 and 9 appropriations for commodities were not used to make payments on the initiatives. Additionally, while other Bureaus/Divisions were used in the payment taken from contractual services, the Division of Traffic Safety was not charged under this "simple proration." Likewise, the Bureau of Information Processing was spared the payments made from the equipment appropriation lines.

When we asked the Department for evidence of savings provided for the amounts billed, the department did not have any written documentation to provide. They noted that there is "empirical evidence which shows we saved the money, i.e., we didn't spend it." While the Department may have not spent the monies, once they are sent to the Efficiency Initiatives Revolving Fund they are used for payment or other activities or transferred to the General Revenue Fund where they can be used for other purposes.

Accepted or Implemented

2. Enforce current policies that require the approval of all invoices by designated individuals within 30 days after receipt of the invoice, and implement policies and procedures to ensure that interest, as required, is paid on invoices not paid within 60 days of receipt. (Repeated-2003)

Findings: The Department did not date stamp upon receipt, approve and pay all invoices timely. Thirteen of 17 vouchers sampled were not approved within 30 days. One voucher sampled was approved timely; however, it was not paid timely. Three vouchers did not include a departmental approval date stamp. Four vouchers should have included interest payments totaling $494.55; however, interest was not paid.

Response: The Department agrees with the finding. The Department has implemented policies and procedures in the Central Office to ensure that interest, as required, is paid on invoices that are not paid within 60 days after the receipt of the invoice. Reports were created by the Bureau of Information Processing from the FOA system to track interest on invoices which are not paid within the 60 day timeframe. Action will be taken by staff in the Accounts and Finance Section of the Bureau of Accounting and Auditing to follow up on the reports to ensure that interest payments are made as required. In addition Accounts & Finance will send out a memorandum reminding accounting entities that an accurate proper bill date is necessary to ensure that interest is calculated on the appropriate amount. In FY 2004, the Department made $7,712 in interest payments.

Updated Response: Implemented. Reports are now periodically obtained by the Accounts and Finance Section from the Bureau of Information Processing to track payments not made within 60 days of the proper bill date and to determine which of those require interest penalty payments.

The Accounts & Finance Section follows up with the Accounting Entities to remind them that payments are to be made promptly and, in those cases where payment is not made within 60 days, to ensure that the interest due is paid to the vendor.

3. Follow procedures to ensure all phone cards are cancelled in a timely manner upon employee termination, and develop and issue a policy governing the monitoring and assignment of cell phones. (Repeated-2003)

Findings: The Department did not cancel phone cards of former employees timely, and the Department lacks a policy on cell phone usage or assignments and monitoring by employees.

The Department has 1,133 employees who have been assigned credit cards and 734 who have been assigned Department cell phones. When the auditors reviewed 50 employees who separated from the Department, the phone cards were not timely canceled for 12 employees who had separated during the fiscal year and 25 individuals who separated in previous fiscal years. Card cancellations ranged from 21-690 days late.

Response: The Department agrees with the finding.

The timely cancellation of telephone calling cards needs improved. The Bureau of Information Processing is working with the Bureau of Personnel to develop a better mechanism to know when employees separate from IDOT. Currently, a database is under development to track all assigned items such as cell phone, calling cards, laptops, etc. Once completed, a report will be generated when an individual terminates employment with the Agency, and all items will be collected before the employee leaves.

Cell phone usage is covered under Departmental Order 13-2, Unauthorized Use of State Telephone Systems; however, there is not a formal written policy addressing cell phones specifically. Tracking of the possession of cell phones is the responsibility of the various offices, bureaus, and districts. Cell phone assignments are reported to the Bureau of Information Processing, and a central database is maintained that tracks who is in possession of a particular device.

The issues identified above will be adequately addressed with the new tracking program and policies surrounding it.

Updated Response: Partially implemented and in process. Significant planning has occurred since the audit was conducted. The Bureau of Information Processing has developed a computer program that is nearly complete but must be tested prior to moving into production. The computer program tracks all IDOT owned equipment including cell phones, calling cards, laptops, etc. The process of identifying the appropriate entity to administer the employee exit process and developing the necessary controls is not complete. It is anticipated that the Bureau of Personnel will now exercise an integral role in the employee exit process.

4. Develop formal inventory policies and procedures for all Districts and maintain commodities records throughout the year. Perform periodic test counts of commodities inventory and reconcile those counts to Department commodities records. At a minimum, take year-end physical inventories and adjust Department records to the actual count. (Repeated-1994)

Findings: No formal commodities inventory policy exists. Actual quantities on hand recorded at $17,534,000 did not reconcile to the commodity inventory records used for financial statement presentation.

The auditors noted that all 35 locations did not properly reconcile test counts performed during year-end physical inventories to the commodities records. Commodities included salt, signs, calcium chloride, culverts, repair parts, and other various inventories.

The Illinois Procurement Code requires that State agencies inventory or stock no more than a 12-month supply of equipment, supplies, commodities, articles and other items except as otherwise authorized by the agency's regulations. An agency shall periodically review its inventory to ensure compliance.

Accepted or Implemented - continued

<u>Response</u>: The Department agrees with the finding. During fiscal year 2004, the Department developed a pilot program with a private firm which utilizes the inventory control expertise as well as cost savings purchasing power of private industry.

A contract has been awarded to a private vendor to perform this service on a pilot basis in District 1. They have been providing auto and equipment parts and other commodities to IDOT's Cook County Yards only at this time. The vendor began service on June 1, 2004. The goal of the program is to be able to provide commodities to the yards in as little as two hours following a request for the commodities, so that no material inventory of commodities will need to be held by the yards. The program also allows for the better tracking of all purchases of commodities by the yards.

This program has provided greater accountability and control over the purchasing and overall cost of spare parts. As an example of cost savings already realized by the Department through this program, District 1 expended only $215,781 for repair parts during the first quarter of fiscal year 2004. This represents a 39% decrease in repair parts costs.

When this program is brought to fruition, it will be studied and expanded to other IDOT yards, depots and warehouses. Formal policies and procedures will be developed as the program is expanded to the other districts. This program will not only address any commodity inventory control issues for the Department but has and will provide additional cost savings and efficiency enhancements as well.
The Department has also implemented other tighter restrictions and controls on commodities. All requests to procure every non-core office item must now be approved by the Office of Finance and Administration.

5. Pursue a change to the Illinois Vehicle Code which would no longer require the Department to publish and submit this report.

<u>Findings:</u> The Department has not published and filed with the Governor and General Assembly the required truck Size and Weight Report since 1998. This report was prepared in order for the Department to monitor the effect of the increased size and weight of vehicles on Illinois highways. However, these heavier trucks have become the standard across the industry in Illinois and the US. All states now have pavement and bridge design standards to accommodate these heavier trucks; therefore, any further study of their impact on roadways is not deemed necessary.

<u>Updated Response:</u> Accepted. The request for legislation to eliminate the 80,000 pound truck requirement was not submitted in time to be taken into consideration by the legislature during the recent spring session. It will need to be resubmitted for consideration for the fall session.

6. Approve or disapprove a local government of mass transit district's expenditure proposal program within 45 days of receipt of the proposal as required by statute.

<u>Findings:</u> The Department failed to either approve or deny applicants' program of expenditure proposals timely. Each local government or mass transit district making application for a grant pursuant to the Downstate Public Transportation Assistance program must submit a program of proposed expenditures along with their estimate of project operating deficit, eligible operating expenses and projected operating income or revenues. The auditors noted that the Department did not approve or disapprove 13 of 18 expenditure programs applications proposals within 45 days.

<u>Response:</u> The Department agrees with the finding. Though the statute does require that the Department approve or deny applicants' programs of expenditure proposals within 45 days, we believe that there were extenuating circumstances which compelled the Department to remain prudent and not meet the requirement in total. The Department's Division of Public Transportation (DPT) believes that it should not approve or deny an applicant's program of proposed expenditures until all revenue sources have also been identified because any projected revenue shortfall will result in expenditure and/or service reductions. In most cases, the State operating assistance funds 55% of the proposed expenditures, and until the appropriation for that assistance is known, it is unknown if expenditure and/or service cuts will be necessary.

Due to the GRF shortage, the appropriation for operating assistance had been closely scrutinized, with possible funding scenarios varying widely between reducing it and increasing it by 10% or more. In addition, DPT was notified that some portion of the final appropriation would be reserved which could not be contracted for. Because the final appropriations and reserve amounts were not determined until mid-Summer 2003, DPT felt it was premature to approve a grantee's program of proposed expenditures which could be dependent on the level of operating assistance received. As a result, DPT did not respond within the 45-day time limit.

The auditors' interpretation of the statute is that approval of the program of proposed expenditure is not dependent on sufficient sources of revenue. Though the Department does not agree in principle with the auditors' finding, beginning with the FY06 downstate operating assistance application cycle, DPT will respond within the 45 day time period as to whether the applicants proposed program of expenditures is approved or disapproved according to the reasons stated in the state statute.

7. Maintain the master plan for highway, waterway, aeronautic, mass transportation, and railroad systems and submit it by January 1st every two years as required by law.

<u>Findings:</u> The Department did not maintain for submission to the Governor and General Assembly, a master plan for highway, waterway, aeronautic, mass transportation, and railroad systems. The plan was last published in 1995.

Accepted or Implemented - continued

Response: The Department agrees with the finding. Compliance with this mandate however is met through the publication of the following documents:

1) Driving the Economy (March 2003). Projected needs were provided for highways, transit, airports and rail (freight and passenger) programs and were based on Department assessments of the physical condition of transportation facilities and measurements of transportation demand, and

2) Annual and Multi-Year capital programs for highways, transit and rail. Each spring the Department prepares separate capital improvement programs. These programs are built on annual system-wide assessments of the needs. These assessments are based on condition ratings, facility use (travel demand) and the system priority. Project selection is based on estimates of available funding and project readiness.

These reports are sufficient to be in compliance with the mandate. Because of the timing and availability of information, completion of the subject report by the January 1st deadline is impractical. An action on the part of the General Assembly revising the report requirement is needed to resolve this compliance audit finding. The Department will be working with the appropriate authorities to rescind or revise the requirement.

Updated Response: Accepted. The activity of the legislative session did not allow for consideration of this issue. DOT will work with the Office of Governmental Affairs to address this issue at the next opportunity.

8. Follow written policies and procedures to control the use and disposition of excess land. Inventory and compile a complete list of excess land to be updated monthly. Revise current policies and procedures to require a periodic evaluation of the use of each significant parcel of excess land by the District Engineer, so that the land can be identified, reported and disposed. (Repeated-2000)

Findings: The Department does not have adequate procedures regarding the use and disposition of excess land. The Department is also improperly classifying excess land as land instead of land available for sale on the financial statements.

The Department has acquired numerous properties that are currently not being used. Pursuant to Federal highway Administration regulations, proceeds received from the sale or rental of land acquired with Federal funds are restricted in their use to other eligible Title 23 projects, only. No comprehensive inventory of excess land has been maintained and no formal assessment of the use of each significant parcel of excess land is performed. The Department relies on external parties interested in the purchase of excess land to inquire about a potential sale.

During FY04, the Department established a task force that developed policies and procedures for all Districts to use in recording non-operating highway right-of-way inventory. On July 1, 2004, the Department added the services of an engineering firm to supplement its nine Districts' land acquisition staff in this project.

Response: The Department agrees with the finding. The Department continues to address property management issues. Policies and procedures have been updated and are now included in the Land Acquisition Policies and Procedures Manual, effective July 8, 2004. Four sections of the manual and one exhibit were revised to reflect the creation of the NON-Operating Highway Right of Way inventory. An outside consultant was hired in early FY05 to work on identifying parcels for inclusion into this inventory. The NORWAY inventory continues at a good pace. District property managers are assisting in this effort and are identifying parcels for excess review with eligible exce4wsws parcels being proce3swsed for disposal using the various disposal methods. The Department expects to have 50% or more of the NORWAY parcels inventoried by the close of FY05 and is hopeful of having the inventory complete in FY06 or early FY07. As of December 29, 2004, 709 parcels encompassing 48 counties in four districts (3, 6, 7, & 9) have been entered into the NORWAY system.

Updated Response: Accepted and implementation in progress. The Department has identified over 1500 NORWAY (Non-Operating Right of Way) parcels so far. We are continuing the work to inventory any excess land identified.

9. Perform evaluations on all employees in accordance with personnel policies.

Findings: The Department has not performed employee evaluations on certain employees who are engineers.

Response: The Department agrees with the finding. The Department is committed to ensuring that employee evaluations are being completed. The Director of Highways is meeting with all the Regional Engineers to review evaluations and place a strong emphasis on completing evaluations for all employees. The Director of Finance and Administration is also meeting with the other IDOT directors to emphasize timely and equitable evaluations.

Updated Response: Accepted and implementation in progress. The Office of Finance and Administration implemented a revised process for completion of evaluations, expanding the rating levels from three to five for administrative staff. Union employees would continue to utilize the three level rating system in accordance with contractual language. Evaluations with employer portions completed were submitted to the Bureau of Personnel earlier this year. They were returned to the offices, divisions and districts for completion and review with the subject employees.

10. Deposit all Vehicle Inspection Safety (VIS) Diesel Emissions Sticker monies into the proper fund as required by the statute.

Findings: The Department was depositing money received, approximately $16,000 per year since FY01, for the VIS Diesel Emissions Stickers into GRF rather than the Road Fund as required by statute.

Response: The Department agrees with the finding.

Effective 7/1/2004, all VIS Diesel Emissions Sticker monies are being deposited into the Road Fund as required by the statute.

11. Maintain or obtain complete source documentation including a plat map showing the area transferred to or from the Department. Any adjustments from actual to recorded transfers should be corrected for. Report all Jurisdictional Transfers on a fiscal year basis and by acre.

Findings: The Department failed to properly report and summarize all right-of-way jurisdictional transfers. In addition, the Department failed to report jurisdictional transfers timely and maintain an appropriate cut-off between fiscal years.

Highway right-of-way is the area of land including the roadway to the property line of an individual or municipality. Jurisdictional transfers can be requested by either a unit of local government or the Department. During the auditors' testing, they noted three instances where they could not reconcile jurisdictional transfers to municipalities to the source documentation provided by the Office of Planning and Programming. The Department is reporting the jurisdictional transfers on a calendar year basis instead of the fiscal year basis needed for financial statement preparation.

Response: The Department agrees with the finding. The Bureau of Land Acquisition maintains documentation of Jurisdictional Transfers on a fiscal year basis and by acre. The Department will use this documentation for the financial statements to ensure they are properly completed.

12. Enforce current procedures to ensure all capital assets are recorded on property records when purchased in accordance with the State Property Control Act (30 ILCS 605/6.02).

Findings: The Department did not properly record all capital assets timely. Of 25 vouchers tested, three invoices totaling $193,511 could not be traced to the capital asset detail listing as of June 30, 2004. These invoices were for 103 laptop computers purchased on January 12, 2004.

Response: The Department agrees with the finding. The Department will enforce current procedures to ensure all capital assets are recorded on property records when purchased in accordance with the State Property Control Act. The finding centered on the purchase of 103 laptop computers which were shipped directly to statewide field locations. The invoice for the laptops was sent to a central location. The miscommunication between the field offices and the central office led to the audit discrepancy.

13. Ensure that independent reviews of major new computer systems and major modifications to those computer systems are performed. If the newly formed Illinois Office of Internal Audit is to perform the reviews, the Department should ensure the Office is informed of all major computer system development projects.

Findings: Independent and mandated reviews of major computer systems application development projects, including major modification, were not performed. During the audit period, the Department had significant computer system application development activities including: Employee Identification numbering, Racial Profiling, Motorist Crash Report (MCR), and Crash Imaging System (CIS). An independent review of computer system development projects or major modifications to computer system was not performed as required by statute. The law requires review by internal auditors prior to installation to ensure the systems provide for adequate audit trails and accountability.

Response: The Department agrees with the finding. The Department is working to ensure that independent reviews of major new computer systems and major modifications to those computer systems are performed. Since the last audit was conducted, the Bureau of Information Processing was reminded of the role of the Illinois Office of Internal Audits (IOIA). The Bureau of Information Processing has asked the IOIA to participate in the review of the new Electronic Bidding (e-Bidding) for highway construction projects. Their role in this project and others is recognized as valuable and essential. The e-Bidding project is currently on hold due to the prioritization of projects and the increased workload. It is anticipated that this project will be restarted very soon and the IOIA will be notified and expected to play an integral role.

On October 20, 2004 IOIA was supplied an update on several projects including the three of the four mentioned in the finding. Racial Profiling was implemented almost one year ago with no major modifications. MCR and CIS are major development efforts and we expect more involved from IOIA in quality assurance on these projects. The Bureau of Information Processing will include IOIA in the ongoing development of MCR and CIS. The Department and Bureau of Information Processing recognize and respect the standards commonly known as COBIT.

Updated Response: Accepted and implementation in progress. The Department has notified the Illinois Office of Internal Audit (IOIA) on several instances regarding systems in the early development process. The IOIA is helping IDOT/BIP in the early stages of an e-Bidding RFP. IOIA's involvement will increase as we continue to develop new systems. As soon as the contract for the Electronic One Stop Shop project commences, IOIA will also be included in that process as well.

Emergency Purchases

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The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage...prevent or minimize serious disruption in State services or to insure the integrity of State records. The Chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exception.

During FY04, the Department filed affidavits for seven emergency purchases totaling $647,321.42, for various repairs and $157,200.00 for furniture removal and disposal.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

As of July 2004, the Department of Transportation had 1030 employees assigned to locations other than official headquarters.